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UNCLAS SECTION 01 OF 03 PHNOM PENH 001176

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SUBJECT: CAMBODIA: GARMENT MANUFACTURERS BLAME UNIONS FOR  
LABOR PROBLEMS; EMBASSY URGES COMPROMISE

REF: PHNOM PENH 1174

1. (SBU) SUMMARY. During a June 23 meeting, Garment Manufacturers Association of Cambodia (GMAC) leaders acknowledged that garment factories sometimes fail to comply with the Labor Law, but blamed unions' rush to strike for much of the labor unrest in Cambodia's garment sector. This increased unrest is causing garment buyers to reduce orders even at factories without labor disputes. GMAC leaders revealed that on June 16 they spoke directly with Chea Mony, one of the union leaders behind the threatened July 3 general strike, and made some progress in reaching a compromise on a minimum wage increase. However, given that political as well as labor motivations seem to be at play in the general strike threat, it is unclear how Chea Mony and his partner Rong Chhun would react to a minimum wage deal with GMAC that does not include some sort of concession from the government. The Ambassador has advised both manufacturers and union leaders that a general strike is in no one's interest and urged a resolution of differences. END SUMMARY.

2. (U) Cambodia's garment sector is facing two labor crises: a dramatic increase in individual strikes at garment factories and a threatened general strike to start on July 3. Powerful pro-opposition unions Free Trade Union (FTU), led by Chea Mony, and Cambodian Independent Teachers Association (CITA), led by Rong Chhun, are threatening to lead a general strike unless their demands for increased wages for garment sector workers and teachers, shorter workweeks, and reduced gasoline prices are met. As part of the embassy's continuing efforts to encourage dialogue on both the individual strikes and the threatened general strike, the Ambassador hosted a roundtable discussion with union leaders on June 22 (Reftel) and a meeting with GMAC leadership on June 23.

Ambassador: Unions United in Frustration, Divided about Next Steps

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3. (SBU) Describing his June 22 meeting with union leaders, the Ambassador told manufacturers that there was not total agreement among the unions about how to proceed, but that the group as a whole was extremely frustrated and had a long list of grievances with the government and with garment factories. He had told union leaders that a general strike would hurt everyone from workers to factory owners, and that American buyers would go elsewhere if such a strike were to take

place. Some of the union leaders agreed, others continued to support the idea of a strike.

¶4. (SBU) The Ambassador told GMAC that the embassy supports efforts by the International Labor Organization (ILO) and the American Center for International Labor Solidarity (ACILS) to facilitate a negotiated agreement and urged GMAC to make a good-faith effort in these negotiations.

GMAC: Unions' Rush to Strike Hurting Orders  
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¶5. (SBU) GMAC Chairman Van Sou Ieng noted that Cambodia's labor movement was still quite young and remarked that unions take years to mature. He acknowledged that there have been some problems with GMAC members not complying with the labor law. However, these issues should be addressed via the Arbitration Council, not by strikes, he said.

¶6. (SBU) While GMAC has several concerns about Cambodia's labor movement, the immediate concern is the increased daily strikes at garment factories and the threat of a general strike, GMAC leaders said. Garment factory owner Roger Tan said that he wakes up every morning worried about the possibility of a strike at his well-regarded factory. The increased labor unrest has led garment buyers to lower orders even at factories without labor disputes, hoping that if the labor unrest spreads to that factory, the factory will still be able to produce the reduced order on time, Roger Tan and Van Sou Ieng explained. Because many strikes are unannounced (in contravention of the seven day notice required under Cambodia's Labor Law), factories are not able to sub-contract their work in time and must instead use overtime after a strike to catch up to production deadlines, Van Sou Ieng said.

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¶7. (SBU) Van Sou Ieng asserted that more than 50% of the strikes that have occurred recently could have been resolved through the legally mandated negotiation, conciliation, and arbitration process, but that many unions are illegally skipping some or all of these steps in the rush to strike. Wages are the main motivating factor for strikes, he said, though Roger Tan asserted that behind the wage demands were union leaders' interests in gaining power and popularity among workers.

GMAC: Labor Issues Sap Factory Efficiency  
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¶8. (SBU) In response to union complaints about corruption, Van Sou Ieng acknowledged that corruption was a persistent problem within the industry and described GMAC's success in reducing the size of bribes required to export goods. However, he said that the unions' allegations that the minimum wage could be USD 100 per month without corruption was just a pretext to support their unreasonable wage demands. GMAC Secretary General Ken Loo asserted that it is the labor disputes themselves which are keeping down wages. Management spends half its time dealing with labor issues rather than maximizing efficiency, and must pay penalties and overtime to make up for delays caused by strikes.

¶9. (SBU) GMAC members described other ways in which labor issues hurt their factories. Cambodia's loose definition of a union and protection for the top three factory-level union leaders meant that garment factories have trouble disciplining some unproductive or troublemaking workers. Roger Tan described two workers at his Thai-Pore factory who produce almost nothing and collect very little in piece rate wages, but still receive USD 45 per month in minimum wage. Van Sou Ieng told us about three "drunkards" whom he cannot fire because they are union leaders representing a union with only five members. While there is a legal avenue for firing these people, it is slow and bureaucratic, and even a legal dismissal may lead to a strike, they noted. Similarly, the

government's failure to enforce the "most representative union" part of Cambodian Labor Law means that there are multiple unions at many factories. These unions compete for worker loyalty and often refuse to participate in multi-union negotiations.

#### Prospects for a Avoiding a General Strike

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¶10. (SBU) GMAC leaders were uncertain whether an agreement with FTU and CITA could be reached before the July 3 strike date. Van Sou Ieng opined that the Prime Minister has refused to get involved in the issue because he doesn't want to alienate either workers or business leaders. The GMAC Chairman criticized Chea Mony for not coming directly to GMAC earlier, and instead sending letters only to the government. Van Sou Ieng and Ken Loo revealed that they had talked privately with FTU leader Chea Mony on June 16, and that he had agreed that a minimum wage increase from the current USD 45 per month to USD 60 per month might be acceptable, a far more realistic figure than the USD 80 per month that Chea Mony is publicly demanding.

¶11. (SBU) COMMENT: Garment manufacturers and unions tell remarkably different stories about the causes of garment sector disputes and who is to blame. GMAC board members are generally thought to represent the "cream of the crop" in terms of ethical corporate behavior, and their statements about what happens at their own factories are probably accurate. However, in reality, both unions and GMAC have unsavory members who take illegal actions and fuel mutual distrust. While the progress made in direct talks between FTU and GMAC is encouraging, it underscores the government's absence from this process. FTU leader Chea Mony continues to direct his demands to the government, and seems to want the political victory that would come with a government-negotiated compromise or a large strike. It is unclear how he would react to an agreement on a garment sector wage increase reached directly with GMAC or under the auspices of the ILO and ACILS that did not address the demands about teachers' wages, shorter workweek, and reduced

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gasoline prices and could not be touted as a victory over the government. END COMMENT.  
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